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ABSTRACT

This monograph provides an overview of Wisconsin state and federal financial aid programs for students. The first section discusses the methodology used to determine student financial need. The second section briefly reviews the various sources of financial aid including the federal government, the Higher Educational Aids Board (HEAB), the University of Wisconsin System, other state agencies, and independent colleges. The third section provides a more detailed description of each financial aid program, organized according to: grant programs, forgivable loan programs, repayable loan programs, scholarship programs, special programs, and tax incentives. Specific programs included are the following: Pell Grant (federal); Supplemental Educational Opportunity Grant (federal); Wisconsin Higher Education Grant (HEAB); Indian Student Assistance Grant (HEAB); Independent Student Grant (HEAB), Advanced Opportunity Program (UW System); Bureau of Indian Affairs Grant (federal); Veterans Tuition and Fee Reimbursement Grants (Veterans Affairs); National Guard Tuition Grants (Military Affairs); Nursing Student Stipend Loan (HEAB); Minority Teacher Loan (HEAB); Physician Loan Assistance Program (Department of Commerce); Perkins Loan (federal); Stafford Student Loan (federal); Federal Direct Student Loan; Academic Excellence Higher Education Scholarships (HEAB), Minnesota-Wisconsin Reciprocity Program; HOPE Scholarship tax credit (federal); and higher education tax deduction (state). The fourth section discusses the process used to distribute financial aid. The final section provides interstate comparisons. (DB)

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Student Financial Aid

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Student Financial Aid

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Student Financial Aid

Introduction

Annually, approximately one-half of the undergraduate students attending public and private, nonprofit postsecondary institutions in Wisconsin apply for need-based financial aid. In 1996-97 (the most recent year for which information is available) resident undergraduate students received $462.1 million in student financial aid, consisting of: $332.7 million in federal assistance (grants, loans and work study), $48.5 million in state grants through Higher Educational Aids Board programs, $10.7 million from private sources, $61.9 million from institutional grant, work and loan programs and approximately $8.3 million from other programs. This aid covered approximately 73.7% of the remaining need, after family contributions, of those students eligible for aid. Between 1992-93 and 1996-97, the average cost of education for an undergraduate student increased by 17.5%, while average need-based aid per student from all sources increased by 25.1%.

Table 1 shows need-based financial aid for Wisconsin resident undergraduate students for the most recent five years for which data is available. The "cost of education" includes tuition, food, housing, transportation, books and miscellaneous day-to-day expenses. "Financial need" is the cost of education that the current methodology assumes cannot be covered by student or family resources. "Unmet need" is the remaining cost of education that cannot be met by either personal contribution or financial aid. This "unmet need" can be met by additional parental contribution beyond what is assumed, student earnings apart from financial aid sources or reductions in costs by the student.

Need-based financial aid is primarily federally controlled. The federal government determines the amount of financial aid a student is eligible for, and funds the largest grant, loan and work-study programs which make up the aid "package" that a student receives.

The purpose of this paper is to provide an overview of state and federal financial aid programs. The first section discusses the methodology used to determine student financial need. The second section briefly describes the various sources of financial aid. The third section provides a more detailed description of each financial aid program. The fourth section discusses the process used to distribute financial aid. The final section provides interstate comparisons.

Table 1

Wisconsin Undergraduate Need-Based Financial Aid ($ in Millions)

	1992-93	1993-94	1994-95	1995-96	1996-97
Students Receiving Aid	96,207	97,885	100,406	91,797	91,759
Cost of Education	$802.2	$962.2	$902.9	$895.5	$899.2
Financial Need	$512.4	$606.1	$610.0	$635.4	$627.2
Total Aid (All Sources)	387.3	444.8	455.8	470.7	462.1
Unmet Need	$125.1	$161.3	$154.2	$164.7	$165.1
Unmet % of Financial Need	24.4%	26.6%	25.3%	25.9%	26.3%

Needs Analysis

The cost of postsecondary education can vary greatly depending upon one's situation. In Wisconsin, the items that comprise educational costs such as tuition and fees, room and board, books and supplies, transportation and personal expenses can vary from under $6,000 annually for a student attending a University of Wisconsin (UW) or Technical College System institution and living at home to over $26,000 for a student attending an independent college and living on campus. Financial aid is awarded based upon a systematic evaluation of a student's financial need, using the guiding principle that students and their families are primarily responsible, depending on their resources, for paying for a postsecondary, undergraduate education.

Congress has established a needs analysis system, referred to as the "federal methodology," which determines how much families and students must contribute towards the cost of their education. Students are expected to pay a part of their education from their earnings and savings. The contribution that a parent is expected to make takes into account family income, assets, number of children and other dependents in the household, number of family members enrolled in higher education, liabilities and unusual financial circumstances. The expected family contribution is determined from the portion of their income or assets which is determined to be "discretionary." In general, this family contribution increases with the family's discretionary income.

Although costs vary from school to school, the amount one is able to pay remains the same. The student's financial need is the difference between his or her expense budget for a school or college and the amount the family, including the student, is expected to contribute. The college then attempts to meet this need through an offer of a package of financial aid programs. Financial aid can be a combination of one or more types of assistance including scholarships, grants, loans or work, depending upon a student's financial need and eligibility for a variety of programs.

In most cases, to be eligible to receive aid from the general need-based programs discussed in this paper, a student must:

- Demonstrate financial need.
- Have a high school diploma or a general educational development (GED) certificate.
- Be enrolled as a degree-seeking student.
- Be a U.S. citizen or an eligible noncitizen.
- Have a social security number.
- Make satisfactory academic progress in a degree or certificate-granting program, which is usually defined by the school, but often viewed as maintaining a "C" average.
- Register with the Selective Service, if required.

Some of the programs described in this paper such as the federal Stafford Loan, PLUS Loan and Direct Student Loan programs require the student to be enrolled at least half-time, which is usually defined as at least twelve credits per year. This is not a requirement to receive federal aid under the Pell Grant, Supplemental Educational Opportunity Grant, Work-Study and Perkins Loan programs. Students attending less than full-time would have their cost of education proportionately reduced, which would affect their financial need and in turn, the amount of financial aid they would receive.

Another determination made when one applies for financial aid is the student's dependency status. Dependency status is based on whether one is considered a dependent of one's parents and consequently must report their parents' income as well as their own, or whether one is financially independent of their parents. This determination is necessary because most student aid programs are

based on the assumption that parents have the primary responsibility of paying for their children's education, whether they choose to or not. Students who have access to parental support, according to federal guidelines, should not receive financial aid at the expense of students who do not have that access. A student is considered independent for financial aid purposes if he or she is one of the following:

- At least 24 years of age.
- Married.
- A graduate or professional student.
- Someone with legal dependents other than a spouse.
- An orphan or ward of the court.
- A veteran.

Table 2 shows an estimate of a student base budget for a full-time resident undergraduate student for the 1998-99 academic year as prepared by the financial aid office at UW-Milwaukee. In both columns, the data are for a dependent student. The budget figures in the first column are for a student living at home with a parent and the figures in the second column are for a dependent student living away from home. In this estimate, tuition accounts for 42.6% or 32.4% of the student's total budget while expenses other than tuition comprise the majority of the student's budget. In addition to the expenses shown for a dependent student, an independent student would have medical expenses estimated at $527.

Sources of Financial Aid

Financial aid is provided by a number of sources:

Federal Government. In 1996-97, the federal government provided 72.0% of the undergraduate student financial aid received in Wisconsin including $80.2 million in need-based grants and $218.2 million in Stafford Student Loans and Supplemental Loans for Students. Approximately 37% of the cost of education of those receiving financial aid in 1996-97 was met by federal funds. Table 3 provides expenditure levels for the major need-based financial aid programs administered by the U.S. Department of Education. These include the Pell Grant, Supplemental Education Opportunity Grant (SEOG), College Work Study, Perkins Loan, Stafford Loan/Supplemental Loan for Students (SLS) and Bureau of Indian Affairs Grants.

Table 2
Dependent Student Base Budget Estimates--1998-99 Academic Year (9 Months)

	Living With Parent	Living Away From Home
Tuition	$3,527	$3,527
Books/Supplies	648	648
Room	0	2,501
Board	1,883	1,992
Transportation	934	934
Medical	0	0
Personal/Misc.	1,286	1,286
Total	$8,278	$10,888

Table 3: **Federal Financial Aid Programs ($ in Millions)**

	1988-89	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97
Pell Grant	$82.5	$82.6	$79.1	$90.6	$93.7	$77.7	$72.8	$66.9	$65.1
SEOG	10.1	10.8	11.3	11.8	12.9	13.8	13.6	13.2	12.8
College Work Study	10.4	11.2	11.4	12.6	12.8	13.2	11.8	12.1	13.0
Perkins Loan	15.8	15.9	16.9	16.1	17.5	18.6	19.8	23.5	21.3
Stafford Loan/SLS	93.2	101.6	110.8	127.6	139.1	195.3	203.8	230.4	218.2
State Student Incentive Grant	1.5	1.5	1.2	1.3	1.5	1.5	1.5	1.3	0.7
Bureau of Indian Affairs	0.7	0.9	0.9	1.0	0.9	1.2	1.2	1.2	1.6
TOTAL	$214.2	$224.5	$231.6	$261.0	$278.4	$321.3	$324.5	$348.6	$332.7
Percent Change	0.2%	4.8%	3.2%	12.7%	6.7%	15.4%	1.0%	7.4%	-4.6%

Higher Educational Aids Board (HEAB). The Higher Educational Aids Board is the primary agency responsible for the management and oversight of the state's student financial aid system for Wisconsin residents attending institutions of higher education. As such, HEAB administers state-funded, student financial aid programs and negotiates interstate higher education reciprocity agreements. The Board is a part-time, independent policy making body composed of 11 members: the State Superintendent of Public Instruction; three members, including one from each of the UW Board of Regents, the Wisconsin Technical College System (WTCS) Board, and a Board of Trustees of an independent college or University in the state; three financial aid administrators, including one from each of the UW System, WTCS and a private nonprofit college or university in the state; three undergraduate students, including one from each of the UW System, WTCS and a private nonprofit college or university in the state; and one member of the general public. Except for the State Superintendent, all Board members are appointed by the Governor. Student members of HEAB serve two-year terms while nonstudent members serve staggered, three-year terms. HEAB has a staff of 13.0 FTE employes including an Executive Secretary, appointed by the Governor, and a Deputy Secretary position.

By statute, HEAB must use the "nationally approved needs methodology." Table 4 shows a history of funding for HEAB-administered need-based financial aid programs. These aid programs are supported with state, general purpose revenue (GPR) dollars. The data reflects actual expenditures except for 1998-99, which shows budgeted amounts.

In addition to the above need-based programs, HEAB also administers the Academic Excellence Scholarship (AES) program which provides merit-based scholarships. Table 5 shows 1997-98 program expenditures and number of students receiving aid for all HEAB financial aid programs. The total expenditure amount shown in Table 5 for 1997-98 differs from that shown in Table 4 because Table 5 includes the AES program, which is not need-based, as well as federal funding provided for talent incentive grants.

University of Wisconsin System. The UW System currently administers two state-funded financial aid programs for minority and disadvantaged students: the Advanced Opportunity Program; and the Lawton Minority Undergraduate Retention Grant. In addition, individual campuses provide over $14.3 million in gift and endowment funds for grants and loans.

Other State Agencies. The Departments of Veterans Affairs, Commerce, Public Instruction and Military Affairs administer financial aid programs for a select group of students.

Independent Colleges. Wisconsin's independ-

Table 4: **HEAB Need-Based Programs (GPR Funds)**

	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99***
Wisconsin Higher Ed. Grant*	$23,252,509	$25,237,806	$23,596,152	N.A.	N.A.	N.A.
UW Students				$15,871,500	$15,751,149	$17,244,800
WTCS Students				10,618,600	11,230,344	11,749,600
Tuition Grant	16,333,189	16,145,913	15,859,809	16,231,900	17,462,100	18,375,900
Talent Incentive Grant**	3,579,338	4,083,997	3,870,730	4,073,600	3,497,582	3,933,800
Indian Student Grant	1,555,700	1,565,939	777,671	747,200	744,336	779,800
Handicapped Student Grant	118,439	146,273	143,260	113,200	109,286	123,800
Minority Student Grant	665,860	831,241	858,348	687,000	677,613	693,100
Nursing Student Stipend Loan	323,411	324,505	95,113	12,400	N.A.	N.A.
Minority Teacher Loan ***	36,250	22,500	22,550	109,300	113,930	240,000
Independent Student Grant	190,453	182,986	175,527	149,600	N.A.	N.A.
Teacher Education Loan	N.A.	N.A.	N.A.	N.A.	150,000	250,000
TOTAL	$46,055,149	$48,541,160	$45,399,160	$48,614,300	$49,736,340	$53,390,800
Expenditure Change		5.4%	-6.5%	7.1%	2.3%	7.3%

N.A. Not applicable
*Prior to 1996-97, WHEG awards for both Technical College students and UW students were made from one appropriation.
**Does not include federal State Student Incentive Grant monies.
***Funding for 1996-97 reflects the transfer of $100,000 from UW's Minority Teacher Loan program.

ent colleges and universities provide their own institutional aid for their students in addition to federal or state programs.

Financial Aid Programs

Financial aid may be provided in a number of forms:

Grants - direct forms of financial aid, usually provided on the basis of financial need, that do not have to be repaid.

Loans - financial aid that must be repaid. These loans can have their interest partially subsidized by a governmental agency and, in order to gain favorable interest rates, loan repayment may be guaranteed by a public or private agency. Some loans can have their principal forgiven if the recipient adheres to certain conditions, such as becoming a teacher in an inner city school or a physician in a medically underserved area.

Scholarships - grants awarded completely or partly on the basis of grades, other achievements, or satisfying special conditions, such as a parent working for a particular employer or being a veteran.

Remissions, Reciprocity - institutions may remit or forego part of a student's tuition under certain conditions. In addition, states or individual institutions may have reciprocity agreements

Table 5: **HEAB -- 1997-98 Program Expenditures**

	Number of Awards	Total Expended	Average Award
WI Higher Education Grant			
UW Students	18,836	$15,751,149	$836
WTCS Students	15,186	11,230,344	740
Tuition Grant	9,788	17,462,100	1,784
Talent Incentive Grant*	4,319	4,561,161	1,056
Academic Excellence Scholarship	2,496	3,169,637	1,270
Indian Student Grant	802	744,336	928
Minority Student Grant			
Private College Students	314	375,936	1,197
WTCS Students	348	301,677	867
Handicapped Student Grant	73	109,286	1,497
Minority Teacher Loan	64	113,930	1,780
Teacher Education Loan	75	150,000	2,000
TOTAL	52,301	$53,969,556	

*Includes federal State Student Incentive Grant monies.

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which enable a student from one state to attend a public institution in another state without having to pay nonresident tuition. Such an agreement exists between Minnesota and Wisconsin.

The following section provides descriptions, based on statutory requirements and HEAB policy, of the principal financial aid programs available to Wisconsin students. Unless otherwise indicated, program data is for Wisconsin resident undergraduate students attending college in-state. The administering entity is indicated in parentheses after the title of each program.

Grant Programs

1. **Pell Grant (Federal)**. This program, which provides the largest amount of grant aid to Wisconsin undergraduate students, is an entitlement program that ensures that all students who qualify for a grant receive an award. However, in recent years, the program has not been fully-funded by Congress and consequently, the largest grants awarded have been less than the maximum amount permitted by law. It is intended to be the base upon which other financial aid is built because, in general, students eligible for Pell Grants are eligible for other forms of aid. In 1998-99, undergraduate students enrolled at least half-time and whose expected family contribution is less than $2,800, are eligible to receive award amounts expected to range from a minimum of $400 to a maximum of $3,000 annually. The maximum grant will increase to $4,500 in 1999-00 and to $4,800 in 2000-01. For students enrolled less than full-time, grants are reduced proportionately. Students who receive a Pell Grant are eligible to receive the grant for up to five years as long as they maintain satisfactory academic progress and a "C" average. In 1996-97, 45,926 Pell Grants were awarded for a total of $65.1 million, or an average of $1,418 per grant.

2. **Supplemental Educational Opportunity Grant (Federal)**. The SEOG is a campus-based program administered by financial aid officers at each participating postsecondary institution for undergraduates with exceptional financial need. Unlike the Pell Grant, which provides funds to every eligible student, each participating institution receives a certain amount of SEOG funds based upon a formula that considers the state's share of the national undergraduate student enrollment. Beginning in federal fiscal year 2000, each institution will receive at least the amount they received in 1999. The Federal Methodology is used to determine student aid eligibility and priority is given to students who receive Pell Grants. Awards are based on the availability of SEOG funds and the amount of other aid the student receives, as well as financial need. Undergraduates enrolled full-time or part-time are eligible for awards ranging from $100 to $4,000 per year. During 1996-97, SEOG awards of $12.8 million were provided to 23,613 Wisconsin students, for an average of $542 per grant.

3. **Wisconsin Higher Education Grant (HEAB)**. The WHEG program provides grants to resident undergraduate students enrolled at least half-time at UW and Technical College institutions. Eligible students may receive grants of $250 to $1,800 per year for no more than ten consecutive semesters. All awards are based on financial need. A student's need is established using the Federal Methodology, but WHEG award amounts are calculated by formulas approved by HEAB. Current law requires that grant amounts be established separately for dependent and independent students. Modifications to the formula factors result in different distributions of funds among dependent and independent students and affects the number of students who will receive awards and the average amount of each award.

A provision in 1995 Act 27 (the 1995-97 state budget) split the funding for this program into two appropriations, with one for UW students and one for WTCS students, beginning with the 1996-97 academic year. Prior to 1996-97, HEAB approved one formula for the distribution of WHEG funds. By varying its allocation of funds based on independent/dependent status, the Board

Table 6: **Wisconsin Higher Education Grants**

	UW System			Wisconsin Technical Colleges			
	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award	Total
1987-88	22,253	$11,563,210	$520	14,856	$6,039,826	$407	$17,603,036
1988-89	21,434	13,112,041	612	13,035	5,326,932	409	18,438,973
1989-90	20,516	12,146,051	592	15,422	6,981,357	453	19,127,408
1990-91	21,025	13,200,494	628	17,153	8,095,787	472	21,296,281
1991-92	20,477	12,909,730	630	16,210	7,978,673	492	20,888,403
1992-93	21,329	12,917,399	606	18,653	8,362,227	448	21,279,626
1993-94	22,017	13,199,531	600	20,349	10,052,978	494	23,252,509
1994-95	22,048	14,493,738	657	20,120	10,744,068	534	25,237,806
1995-96	20,305	12,774,612	629	18,336	10,821,540	590	23,596,152
1996-97	19,205	15,871,482	826	15,927	10,618,597	667	26,490,079
1997-98	18,836	15,751,149	836	15,186	11,230,344	740	26,975,870

determined the number of Technical College (primarily independent) and UW System (primarily dependent) students who were eligible to receive awards. Beginning in the Spring of 1996, the UW Board of Regents and the WTCS Board has each been required to annually submit a proposed formula for distribution of WHEG awards for the following academic year to students enrolled in their respective systems. HEAB then approves one formula for each system.

Historically, the WHEG formula has provided larger grants to dependent students than to independent students, reflecting the focus on traditional 18 to 24-year old college students. However, in recent years, both the Board of Regents and the WTCS Board have recommended formulas that are intended to increase awards for independent students while maintaining award amounts for dependent at a relatively stable level. Between 1996-97 and 1997-98, the average award for an independent student with a family increased from $646 to $737 for WTCS students and from $767 to $795 for UW students. During the same period, average grants to dependent students decreased from $964 to $953 for WTCS students and from $992 to $964 for UW students. Table 6 shows WHEG program expenditures from 1987-88 through 1997-98.

Tuition Grant (HEAB). The TG program provides need-based funds to resident undergraduates who attend private, nonprofit postsecondary institutions in Wisconsin. A provision in 1997 Act 27 (the 1997-99 state budget) extended eligibility for TG awards to students enrolled at least half-time at a tribally-controlled college in the state. This change first took effect in 1997-98. For TG recipients attending private institutions, award amounts are determined using a statutory formula that relies in part on the amount by which the student's tuition exceeds UW-Madison tuition. Therefore, in the case of two applicants with the same expected family contribution, the applicant for whom this tuition differential is greater would be eligible to receive a larger award. Since tuition at tribally-controlled

Table 7: **Tuition Grant Program**

	Number of Students	Expenditures	Average Award
1988-89	8,326	$12,237,048	$1,470
1989-90	8,658	12,817,288	1,480
1990-91	8,669	14,289,024	1,648
1991-92	8,683	14,176,351	1,633
1992-93	8,751	14,126,580	1,614
1993-94	8,841	16,333,189	1,847
1994-95	8,880	16,145,913	1,818
1995-96	8,690	15,859,809	1,825
1996-97	9,067	16,231,858	1,790
1997-98	9,788	17,462,100	1,784

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colleges is typically lower than that charged at UW-Madison, the Board chose to artificially inflate tuition for these students in order to allow the formula to determine award amounts.

Tuition grants are calculated by HEAB after federal Pell Grant eligibility has been determined, but are made independent of the Pell Grant award. Each year HEAB approves a formula for distribution of TG funds which is based on dependency status and the percentage of students expected to decline the awards (overawards). Overawards are limited by statute to 22% of the anticipated grants.

Students enrolled at least half-time are eligible for grants ranging from $250 to $2,172 per year for no more than ten semesters. The private colleges with the largest number of TG recipients in 1997-98 were: Marquette University (1,201), Carroll College (844), Alverno College (785) and St. Norbert College (697). In 1997-98, 161 students enrolled at the two tribally-controlled colleges in the state, Lac Courte Oreilles Ojibwa Community College and College of the Menominee Nation, received a total of $158,658 in TG awards. Table 7 shows TG program funding from 1988-89 through 1997-98.

5. Talent Incentive Grant Program (HEAB). This program (known as TIP) is intended to enhance educational opportunities and encourage attendance in postsecondary educational institutions. These grants are restricted to the most needy and educationally disadvantaged students selected by the staff of the Wisconsin Educational Opportunity Program (WEOP) in the Department of Public Instruction and institutional financial aid officers. TIP is supported by state general fund monies and the federal State Student Incentive Grant (SSIG), which was recently renamed Leveraging Educational Assistance Partnership (LEAP) Program. These monies are distributed to states on a formula basis, must be matched on a dollar-for-dollar basis with state funds and can only be used to supplement financial aid programs that are not restricted to students attending a particular type of institution. Between 1986-87 and 1994-95, federal contributions to the TIP program averaged approximately $1.5 million per year. However, since 1994-95, federal funding has decreased significantly and there have been attempts to eliminate the program. In 1998-99, funding is estimated at $532,654 (approximately half of the amount received for 1997-98). State GPR funding in 1998-99 is $3,933,800.

Only students receiving TIP awards as freshmen are eligible to receive awards as upperclassmen; a student is eligible for a TIP award for no more than ten consecutive semesters. Freshmen TIP awards are made by financial aid officers and WEOP counselors and HEAB determines the awards for those who continue to enroll as upperclassmen. Unlike other financial aid programs, TIP funding is guaranteed, by statute, for continuing upperclassmen, thus obligating

Table 8: **Talent Incentive Grant Program***

	UW System			Wisc Tech Colleges			Private Colleges		
	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award	Number of Students	Expenditures	Average Award
1988-89	1,578	$870,588	$552	1,142	$1,120,160	$981	857	$1,393,671	$1,626
1989-90	2,183	1,700,906	779	1,415	1,200,789	849	1,236	1,304,445	1,055
1990-91	2,363	2,009,261	850	1,373	1,254,925	914	1,274	1,298,170	1,019
1991-92	2,368	2,165,853	915	1,281	1,256,674	981	1,270	1,392,673	1,097
1992-93	2,454	2,251,267	921	1,302	1,261,267	969	1,233	1,366,019	1,108
1993-94	2,387	2,370,588	993	1,319	1,356,950	1,029	1,191	1,352,800	1,136
1994-95	2,501	2,583,413	1,033	1,504	1,549,044	1,030	1,230	1,467,094	1,193
1995-96	2,383	2,456,691	1,031	1,393	1,410,588	1,013	1,151	1,328,641	1,154
1996-97	2,405	2,290,069	952	1,313	1,256,262	957	1,125	1,192,784	1,060
1997-98	2,160	2,362,929	1,094	1,127	1,047,305	929	1,032	1,150,927	1,115

*Includes both state funds and federal state student incentive grant monies.

HEAB to four years of support once an initial award is made.

Students are eligible for both a maximum TIP award as well as a maximum WHEG or TG award. Freshmen may receive TIP awards of $600 to $1,800 while the maximum award for upperclassmen varies from year to year depending on the amount of federal funds received. In 1997-98, the maximum was $1,175. Approximately 51% of TIP awards were made to minority students in 1997-98. Table 8 shows TIP expenditure levels from 1988-89 through 1997-98.

6. Handicapped Student Grant (HEAB). Prior to 1996-97, this program was funded from the WHEG appropriation. In 1995 Act 27, a separate appropriation was established for the program under which Wisconsin residents who are enrolled as undergraduates at an in-state or eligible out-of-state public or private, nonprofit postsecondary institution and who have a hearing or visual impairment are eligible for financial assistance. The eligible out-of-state institutions include Rochester Institute of Technology (NY), St. Paul Technical and Vocational Institute (MN), St. Mary's Junior College (MN) and Gallaudet College (DC). All awards are based on financial need. Students are eligible for a maximum grant of $1,800 a year for five years in addition to WHEG or TG. Additional costs such as special equipment and materials are included along with expenses covered in the standard student budget. For 1997-98, 73 hearing impaired or visually impaired students received a total of $109,286 under this program with awards averaging $1,497. The largest group of award recipients (33) attended Wisconsin Technical College System institutions.

7. Indian Student Assistance Grant (HEAB). These funds are awarded to resident Native Americans who have at least one-quarter Indian blood or are recognized as a member of a tribe by the appropriate tribal government. Full- and part-time graduate or undergraduate students who attend accredited institutions of higher education in the state are eligible for financial assistance. Grants are based on financial need and may be received for a total of five years. A provision in 1995 Act 27 reduced the maximum grant from the state from $2,200 to $1,100. While the Act also allowed GPR grants to be matched by a contribution from a federally recognized Indian tribe or band, tribal governments had been providing matching funds for most grants prior to the change in the law. In 1997-98, UW institutions enrolled 289 students who received $274,718; Wisconsin Technical Colleges enrolled 231 students who received $216,446; and there were 282 students enrolled in private institutions or proprietary schools who received $253,172. Statewide, the average grant was $928.

8. Minority Undergraduate Retention Grant (HEAB). Under this program, awards are made to resident minority undergraduates, excluding freshmen, enrolled at least half-time at Wisconsin Technical Colleges or private, nonprofit postsecondary institutions in the state. According to the statutes, a minority student is defined as a student who is either a Black American, American Indian, Hispanic or Southeast Asian admitted to the U.S. after December 31, 1975. Awards are based on financial need with a maximum grant of $2,500 a year for up to eight semesters. HEAB allocates funds to eligible institutions based on their enrollment of resident minority students. Prior to 1995-96, minority retention grants for technical college students were provided through a separate appropriation. A provision in 1995 Act 27 merged the two programs but required that the funds appropriated be divided equally between technical colleges and private institutions with the exception that in the 1995-97 biennium, no grant recipient attending a private college receive an amount less than the student received in 1994-95.

In 1997-98, $301,677 was awarded to 348 technical college students with an average award of $867. A total of 314 students attending private colleges received $375,936 with an average award of $1,197.

9. Independent Student Grant (HEAB). Until it was eliminated in 1997-98, this program provided grants to resident students who were enrolled at a public or private postsecondary institution in the state and were receiving aid to families with dependent children (AFDC). Students who were enrolled in either the second or third year of an associate degree program or in the third, fourth or fifth year of a bachelor's degree program could qualify for need-based grants of up to $4,000 a year for up to three years. Certain grant recipients who no longer reside in state or who have not successfully completed requirements for a degree within five years of receiving a grant are required to repay the grant amount at a 5% annual interest rate.

Due to the elimination of AFCD under the Wisconsin Works program, a provision in 1997 Act 27 deleted funding for the program and specified that no students could receive an initial grant under the program after the 1996-97 academic year. A total of 802 students received grants under the program. As of 1997-98, 407 award recipients were still enrolled in a postsecondary program and 378 had completed programs. Another 13 students had withdrawn from school, two were in repayment and two had refunded their awards.

10. Advanced Opportunity Program (UW System). The AOP program provides grants to minority and economically disadvantaged graduate students enrolled at UW institutions. In 1996-97, the most recent year for which data is available, 92.2% of the grants were provided to minority students. Eligibility requirements vary by campus but are primarily based on financial need and/or academic performance. This is the only state-funded financial aid program that provides funds to nonresident students who are not covered by the Minnesota-Wisconsin Higher Education Reciprocity Agreement. There are no statutory limits on the grant amount or number of eligible semesters; however, the program is funded through a sum certain appropriation. In 1996-97, 486 students received AOP awards totaling $3,484,019: 279 residents received awards averaging $6,753, 177 nonresidents received awards averaging $8,641 and 30 Minnesota reciprocity students received awards averaging $2,343. The UW treats AOP as a fellowship, rather than a grant program, thus making AOP recipients eligible for fringe benefits, primarily health insurance. Because nonresident AOP recipients also receive tuition remissions, the value of these grants to nonresidents is considerably higher than the amount of the AOP award. AOP recipients are also eligible for assistantships. Base GPR funding for this program is $4,065,500 in 1998-99.

11. Ben R. Lawton Minority Undergraduate Grant (UW System). The Lawton Grant provides financial assistance to minority resident and Minnesota reciprocity students who demonstrate financial need. Sophomores, juniors and seniors, enrolled for at least six credits, are eligible for up to four years of support and an annual maximum grant of $2,500. Since freshmen are not eligible for Lawton grants, this is a retention, rather than a recruitment program. Lawton grants are provided as "last dollar" grants, which means that they are awarded after all other aid for which a student is eligible has been determined. In 1996-97, 1,591 students received a total of $2,001,670 averaging $1,258 per grant. Base GPR funding in 1998-99 for this program is $2,406,900.

12. Bureau of Indian Affairs Grant (Federal). A grant available to students who are at least one-quarter Native American in a federally recognized tribe and who meet eligibility criteria established by the tribal affiliations. The appropriate tribal office selects eligible students and determines the amount of each award. The student is eligible for a BIA grant for up to five years. In 1996-97, 780 students received BIA grants totaling $1,606,434 with an average award of $2,060.

13. Veterans Tuition and Fee Reimbursement Grants (Veterans Affairs). This program provides, upon an eligible veteran's successful completion of a semester, reimbursement of 50% of the cost of the veteran's eligible undergraduate tuition and fees not to

exceed 50% of the cost of UW-Madison resident undergraduate tuition and fees. The veteran may attend any UW institution or state technical college or similar institution in Minnesota that has a reciprocity agreement with Wisconsin. Veterans with a service- connected disability (rated 30% or higher by the USDVA) may be reimbursed for up to 100% of tuition and fees. For this program, veterans must be within ten years of their release date from active duty and have an annual income of less than $47,500 (plus $500 for each dependent in excess of two). Veterans may receive grants for a total of eight full-time semesters of study, or 120 credits of part-time study. In 1997-98, 1,680 reimbursement grants were awarded, totaling $933,889, and averaging $556.

14. Veterans Part-Time Study and Correspondence Course Grants (Veterans Affairs). For part-time study or correspondence courses, eligible veterans with annual incomes under $47,500 (plus $500 additional income allowed for each dependent in excess of two) may receive reimbursement for up to 50% of the cost of tuition and fees. Veterans may attend any UW institution, state technical college, accredited private college in Wisconsin, or similar institution that has a tuition reciprocity agreement with Wisconsin. In addition, proprietary trade and vocational schools are also eligible. Eligible veterans may attend part-time study courses outside of Wisconsin if no institution within 50 miles of the veteran's residence offers a similar course, and the institution is within 50 miles of the state border. Correspondence courses may only be taken from an out-of-state institution if no similar correspondence course is offered in Wisconsin. Reimbursement for courses under this program may not exceed 50% of the cost of UW-Madison resident undergraduate tuition and fees. 1997 Act 27 changed the maximum reimbursement amount from $300 per course and $1,100 per fiscal year to the current 50% of tuition and fees. To qualify as a part-time student, undergraduates must carry 11 credits or less, and students with a bachelor's degree must carry eight credits or less. In 1997-98, 2,303 grants were awarded, totaling $353,705, and averaging $154.

15. National Guard Tuition Grants (Military Affairs). Tuition grants are available to members of the Wisconsin National Guard enrolled in any UW institution, state technical college, or any approved institution of higher education (in-state or out-of-state) as determined by the Wisconsin Higher Educational Aids Board. Wisconsin National Guard members are eligible to receive grants, on a reimbursable basis, equal to 100% of undergraduate tuition costs at eligible institutions. Grants are limited to 100% of the cost of UW-Madison resident undergraduate tuition. 1997 Act 27 increased the reimbursement rate for participants from 50% to 100% of tuition cost. The grants may be received for up to eight semesters of full time study or 120 credits of part-time study. Eligibility is limited to enlisted members and warrant officers of the Wisconsin National Guard and reimbursement for post-baccalaureate degree work is not permitted. In 1997-98, there were 3,199 grants awarded, totaling $2,650,351. Average fall and spring semesters grants were $864 and average summer session grants were $226.

Forgivable Loan Programs

1. Nursing Student Stipend Loan (HEAB). This program provided need-based, forgivable loans of up to $2,500 per year to upperclassmen resident undergraduate students who were enrolled full-time in an eligible Wisconsin institution's nursing program. The stipend loan could be forgiven at a rate of $1,000 for each year of employment as a registered nurse in a Wisconsin hospital, nursing home or public health agency. A provision in 1995 Act 27 prohibited any new students from participating in the program beginning with the 1995-96 academic year. As of 1997-98, of the 1,202 students who have received loans under the program, 36 are still enrolled, 305 are employed at eligible institutions, 616 have repaid their loans or had them forgiven in full and 245 are in repayment or deferment.

2. Minority Teacher Loan (HEAB). This

program provides loans, at 5% interest, of up to $2,500 per year to a maximum of $5,000, to resident minority undergraduate students who: (1) are enrolled full-time at a UW campus or private, nonprofit postsecondary institution in Wisconsin; (2) are registered as juniors or seniors or hold a bachelor's degree and are registered as special students; (3) are enrolled in programs leading to teacher licensure and are not currently licensed; (4) meet academic criteria specified by HEAB; and (5) agree to teach in a school district located in the state in which minority students constitute at least 29% of total enrollment or in a school district participating in the interdistrict pupil transfer (Chapter 220) program. The loan principal and interest is forgiven at a rate of 25% for each year the recipient teaches in an eligible school district. If the student does not teach in an eligible district, the loan must be repaid with the funds deposited in the general fund. For 1997-98, a total of $113,930 was expended for 64 students, averaging $1,780. Of these students, 46 were enrolled at UW institutions and 18 were enrolled at private colleges. UW-Milwaukee, with 30 students, had the most participants. Of the 475 students who have received loans from the program, 84 have had their loans forgiven in full.

Prior to 1996-97, there were separate programs for students attending private colleges and those attending UW campuses; the latter program was administered by the UW System. A provision in the 1995-97 state budget merged the two programs and funding of $100,000 and administrative authority for the UW program was transferred to HEAB. Funding for the program was budgeted at $120,000 GPR in 1997-98 and $240,000 in 1998-99.

3. **Douglas Scholarship (Federal)**. This is a forgivable loan program funded by the federal government and administered by HEAB. It is restricted to undergraduates at either UW campuses or private colleges who are training to become teachers and graduate in the top 10% of their high school class and is not a need-based program. Scholarships are forgiven at a rate of 25% for each year the recipient teaches school. Amounts not forgiven have to be repaid at an interest rate set by the federal government which usually ranges from 10% to 12%. This program was repealed in 1995-96. However, of the 213 students who received the scholarship, 52 are still enrolled in college and 32 are in deferment or repayment. An additional 76 students are currently employed, and 53 students have had their loans completely forgiven or have repaid them.

4. **Physician Loan Assistance Program (Department of Commerce).** This program was created in 1989 Act 317. Loans are repaid for physicians who agree to practice primary care, including family medicine, general internal medicine and pediatrics, in a primary care shortage area, a state or federal prison, an area health education center program or on an Indian reservation in Wisconsin. The Department may also enter into agreements with physicians who will practice psychiatry or obstetrics in shortage areas. Physicians may also participate in an expanded loan assistance program funded with federal and matching state funding if they are a U.S. citizen and meet other requirements including: (1) agreeing to practice at a public or private nonprofit entity in a health professional shortage area as defined under federal law; (2) accepting Medicare assignment as payment in full for services or articles provided; and (3) using a sliding fee scale or a comparable method of determining payment arrangements for patients who are not eligible for Medicare or medical assistance and who are unable to pay the customary fee for the physician's services. The Department of Commerce may repay, on behalf of a physician, up to $50,000 over a three-year period in educational loans obtained by the physician from a public or private lending institution for education in an accredited school of medicine or for postgraduate medical training. The loans are repaid according to the following schedule: (1) 40% of the principal up to $20,000 in the first year; (2) 40% of the principal up to $20,000 in the second year; and (3) 20% of the principal up to $10,000 in the third year.

Through December, 1998, 88 physicians had participated in the program. Funding for the program was $317,200 GPR and $75,000 FED in 1997-98.

5. Health Care Provider Loan Assistance Program (Department of Commerce). This program was created in 1993 Act 31. Its purpose is to encourage primary care providers, including physician assistants, nurse-midwives and nurse practitioners to locate in areas of the state that are underserved by primary care providers according to a federal definition. The program also provides an expanded loan assistance program funded with federal and matching state monies. To be eligible for loan repayment under this program, the health care provider must be a U.S. citizen and not have a judgement lien against their property for a U.S. government debt. The health care provider must also meet the following additional requirements: (1) practice at a public or private nonprofit entity in a health professional shortage area as defined under federal law; (2) agree to accept Medicare assignment as payment in full for services or articles provided; and (3) use a sliding scale or comparable method of determining payment arrangements for patients who are not eligible for Medicare or medical assistance and who are unable to pay the customary fee for the provider's services.

The Department of Commerce may repay, on behalf of health care providers, up to $25,000 over a three-year period in loans obtained from a public or private lending institution for education related to the health care provider's field of practice. The loans are repaid according to the following schedule: (1) 40% of the principal up to $10,000 in the first year; (2) 40% of the principal up to $10,000 in the second year; and (3) 20% of the principal up to $5,000 in the third year.

Through December, 1998, 21 health care providers had participated in the program. Funding of $53,000 GPR was provided for the program in 1997-98.

Repayable Loan Programs

1. Perkins Loan (Federal). This is a campus-based program, formerly known as the National Direct Student Loan, that provides federally-funded loans at 5% interest to help students pay for educational costs. Each participating educational institution is required to match federal funds with an amount equal to either 25% of the institution's total federal and institutional funding for the loans or one-third of the federal contribution. Repaid loans become part of a revolving account from which new loans are made. To be eligible, students must enroll at least half-time in an undergraduate or graduate program. Awards are based on financial need, the availability of funds and the amount of other aid a student receives.

The maximum amount that may be borrowed under the Perkins Loan program is $3,000 annually for undergraduates, with a maximum total of $15,000 for undergraduate study, and $5,000 per year for graduate students, with a maximum total of $30,000 including undergraduate and graduate study. Interest does not accrue while the student is in school and repayment does not begin until nine months after one's studies are completed. Depending upon the size of the loan, students have up to ten years to repay. Up to 100% of a Perkins loan may be forgiven if, upon graduation, the borrower is employed in a specified field such as teaching in a Head Start program or low-income school or nursing. In addition, borrowers in the Armed Forces may have 50% of their loans forgiven for each year of consecutive service in an area of hostility. In 1996-97, a total of $21.3 million was provided to 14,190 undergraduates, with loans averaging $1,501.

2. Stafford Student Loan (Federal). The SSL (formerly the Guaranteed Student Loan) is a low-interest loan provided by a private-lender such as a bank, credit union or savings and loan association to help finance educational costs. These loans are insured by a guarantee agency (the Great Lakes Higher Education Corporation [GLHEC] for

Wisconsin) and reinsured by the federal government. Students who are enrolled at least half-time in an undergraduate or graduate program are eligible. If financial need is demonstrated, students may qualify for a "subsidized" loan; if not, they may receive an "unsubsidized" loan. The difference between these two loans is that for subsidized loans, the federal government pays the interest on the loan while the student is in school or in deferment.

Under the subsidized loan program, dependent undergraduate students may borrow up to $2,625 the first-year, $3,500 the second year and $5,500 in subsequent years up to a maximum of $23,000. Independent students may borrow up to $6,625 the first year, $7,500 the second year and $10,500 in subsequent years up to a maximum of $46,000. However, these loans may be subsidized only up to the maximum amounts available for dependent students. Graduate and professional students may borrow up to $18,500 each year up to a maximum of $138,500. Of this amount, only $8,500 annually may be in the form of subsidized loans.

The interest rate is variable, set annually at 2.5 points above the average, three-month Treasury bill rate, capped at 8.25%. The loans also carry a loan origination fee of 3% as well as a loan guarantee fee of 1%. Loan repayments may be deferred up to three years in the event of economic hardship, and be canceled in the event of the death or permanent disability of the borrower. The Stafford Student Loan program remains the largest federal loan program in Wisconsin. In 1996-97, 69,681 Wisconsin undergraduates received Stafford Loans averaging $3,131, for a total value of $218.2 million.

3. **Parent Loans for Undergraduates (Federal)**. This non-need based loan program is made by private lenders to parents of dependent students who are enrolled at least half-time. Like the Stafford Loan program, PLUS loans can only help finance educational costs and are provided by private lenders who are insured by GLHEC and reinsured by the federal government. The amount borrowed cannot exceed the difference between the student expense budget and all other financial aid. The interest is a variable rate based on the 52-week Treasury bill and is adjusted annually with a cap of 9%. As of October 1, 1998, the interest rate was 8.26%. Unlike the Stafford Student Loan, the federal government does not pay the interest while the student is in school. Generally, borrowers have at least five, but no more than 10 years to repay the loan. Borrowers may defer payments of the principal, and accrue interest, while in school or due to circumstances of economic hardship. If either the borrower or the child of the borrower dies, the loan may be forgiven.

4. **Federal Direct Student Loan (Federal).** This program consists of Federal Direct Stafford Loans (subsidized and unsubsidized) and Federal Direct PLUS loans. The difference between these loans and their counterparts previously described is that the U.S. Department of Education is the lender, rather than a bank or credit union, and delivers loan proceeds through the school. Direct Loans were first made for periods of enrollment beginning on or after July 1, 1994. In 1997-98, four UW institutions (Milwaukee, Eau Claire, Superior and Whitewater), and five private colleges (Concordia University, Lawrence University, Marquette University, Northland College and Saint Norbert College) offer direct student loans. In addition to the traditional fixed payment option, extended payment, graduated payment, with smaller payments initially, and income contingent repayment, with payments determined by borrower and spouse income options, are available.

5. **Consolidation Loan (Federal).** This program allows the borrower to replace Stafford, Perkins, Supplemental Loan for Students (no longer available) and Federal Direct Student Loans with one loan having a lower payment than the total payments on the original loans. Parents may also be able to consolidate PLUS loans. Three payment options (fixed, graduated and income-contingent) are available. The interest rate on a consolidation loan is the weighted average of the interest rates on the original loans, rounded up to

the nearest 1/8%.

6. Personal Loan Program (Veterans Affairs). Under the personal loan program (PLP) eligible veterans can receive a low interest loan of up to $10,000 for a variety of purposes, including for the education of a veteran, spouse, or their children. The interest rate charged for the loan as of December, 1998 is between 6% and 10% depending upon family income and provision of loan security. The PLP was created by 1997 Act 27 and replaced both the veterans consumer loan and economic assistance loan programs, both of which also allowed the use of loans for educational purposes. Veterans received 106 loans under the program for educational purposes in 1997-98, averaging $2,344 for a total expenditure of $248,472.

Scholarship Programs

Scholarship money may come from a variety of governmental and private sources. For example, the Byrd Scholarship is a federally-funded award given to selected high school graduates for their first year of college studies. In addition, students may receive a National Merit Scholarship or scholarships funded by local civic or religious groups. The Academic Excellence Scholarship is the only state-supported financial aid program that is not need-based.

1. Academic Excellence Higher Education Scholarships (HEAB). This program provides scholarships to selected 12th grade students who have the highest grade point average in each public and private high school in the state. The number of scholarships for which each high school is eligible is based on total student enrollment. One scholarship is awarded to each high school with an enrollment of between 80 and 499 students. If a high school has an enrollment of 500 students or more, scholarships are awarded as follows: 500-999 students--two scholarships; 1,000-1,499--three scholarships; 1,500-1,999--four scholarships; 2,000-2,499--five scholarships; and over 2,500, six scholarships.

For those high schools with total enrollments of less than 80 students, no more than ten scholarships, in aggregate, may be awarded. Under HEAB administrative rule, the ten students with the highest GPAs are awarded scholarships. In the event of a tie, eligible students are ranked according to ACT or SAT scores. If a tie still remains, students are chosen based on the quality and content of letters submitted by the students indicating the reasons they feel qualified to receive the scholarship.

For those high schools with enrollments greater than 80 students, the faculty of each public or private high school is required to name the 12th grade student who has the highest grade point average, as it is normally determined by that high school, as eligible to receive a scholarship. If two or more students in the same high school have the same grade point average, the faculty is required to select the student to receive the scholarship and designate the other student as an alternate. HEAB administrative rules require each high school to have a written policy that describes tie-breaking procedures and criteria used to determine and rank scholars. If the student who is initially selected does not use the scholarship by September 30 following high school graduation, the scholarship is awarded to the alternate. In 1997-98, 59 alternates received scholarships.

In order to receive a scholarship, a student must be enrolled at a participating UW, Wisconsin Technical College or private, nonprofit postsecondary institution in the state by September 30 of the academic year following the year in which the student graduated from high school. The student must enroll on a full-time basis. For students who initially received the award for the 1995-96 academic year or earlier, the scholarship covers full tuition and fees at a UW campus or Wisconsin Technical College, or an amount equal to the UW-Madison tuition and fees for students attending private institutions in Wisconsin. Freshman scholars who enrolled in 1996-97 and thereafter receive a maximum of $2,250 per year. Half of the scholarship is funded by the state, while

the other half is matched by the institution. Tuition and fees in excess of $2,250 are paid by the student. Under 1991 Act 269, UW System institutions may use tuition remissions as part of the institutional match.

Prior to 1997-98, the program was funded through a biennial appropriation and the statutes specified that if the amount of the appropriation in any fiscal year was insufficient to make full scholarship payments, the payments would be prorated. A provision in 1997 Act 27 changed the appropriation for the program from a biennial to a sum sufficient appropriation beginning in 1997-98.

For each year the student is enrolled full-time, he or she must maintain at least a 3.000 cumulative grade point average and make satisfactory progress toward an associate or a bachelor's degree. Therefore, a student may lose, and then regain program eligibility as their cumulative grade point fluctuates. No student is eligible for a scholarship for more than four years at a UW or private, nonprofit postsecondary institution or for more than three years at a Wisconsin Technical College.

In 1997-98, a total of 2,496 academic scholars were enrolled in eligible schools: 671 freshmen, 631 sophomores, 595 juniors and 599 seniors. The total value of the scholarships was $6,339,274. The enrolled students represent approximately 75% of the 3,344 eligible students. At the end of the 1997-98 academic year, reports from postsecondary institutions indicated that, of the 848 eligible students not enrolled, 70 lost eligibility by not maintaining a 3.0 GPA and 92 lost eligibility for not carrying a sufficient number of credits. The remaining 686 students were enrolled at out-of-state institutions. Table 9 details Academic Excellence Scholarship recipients by campus for the past six years. Of the 2,496 scholarship recipients in 1997-98, 389 (15.6%) received other state grants based on financial need.

In 1997-98, $3,169,637 GPR was expended by HEAB on these scholarships. In addition, $415,461 GPR was expended by the UW System as part of its required institutional match and approximately $2.2 million of its match was covered by tuition remissions.

2. UW Institutional Financial Aid. In 1996-97, UW students received approximately $14.3 million from institutionally funded financial aid grant, loan and work programs through gifts and donations, trust funds and the UW Alumni Research Foundation. The largest campus-based programs were at Madison ($12.6 million) and Milwaukee ($585,900), with the smallest at La Crosse which provided $5,700 in privately-funded financial aid.

3. Aid Provided by Independent Colleges and Universities for Resident Undergraduates. For 1996-97, individual private colleges and universities in Wisconsin provided $49.7 million in institutional grants, $2.6 million in institutional loans and $1.6 million in institutional work-study to Wisconsin undergraduates. This accounted for approximately 33% of the total financial aid provided to resident undergraduates attending independent colleges.

Special Programs

1. Minnesota-Wisconsin Reciprocity Program. This agreement allows Minnesota and Wisconsin residents to attend public postsecondary institutions in the adjacent state without having to pay nonresident tuition. Students participating under the agreement pay a reciprocal fee which cannot exceed the higher of the two states' resident tuition rates. The agreement is negotiated and administered jointly by HEAB and the Minnesota Higher Educational Services Office (MHESO). While the agreement is not included in the Minnesota statutes, Wisconsin law specifies that the agreement is subject to the approval of the Joint Committee on Finance. In addition, HEAB and MHESO are required to jointly prepare an annual administrative memorandum that establishes the policies and procedures for implementation of the agreement, including a description of how the reciprocal fees will be calculated for the upcoming academic year. The administrative memorandum is subject to the approval of the Joint Committee on Finance under a 14-day passive review process. While the current agreement does not contain a specific expiration date, it may be modified at any time upon mutual agreement of both states. Additional details on this agreement are contained in a separate Informational Paper #74, prepared by the Legislative

Table 9

Enrollment Data for Academic Scholars Attending Wisconsin Postsecondary Institutions

	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98
UW System						
Madison	650	875	953	1,094	1,150	1,254
Milwaukee	53	61	62	64	75	79
Eau Claire	134	172	180	164	149	151
Green Bay	27	30	33	45	55	57
La Crosse	52	81	92	108	121	125
Oshkosh	42	56	54	60	64	62
Parkside	10	14	13	14	14	13
Platteville	50	80	92	76	78	69
River Falls	35	49	58	62	75	64
Stevens Point	78	99	109	96	89	85
Stout	19	22	27	34	28	27
Superior	17	20	17	17	13	11
Whitewater	54	70	71	62	70	65
Colleges	10	10	10	17	18	9
Subtotal	1,231	1,639	1,771	1,913	1,999	2,071
WI Technical Colleges	4	14	18	11	12	14
Independent Colleges						
Alverno	7	9	10	11	5	2
Bellin	0	0	0	0	1	1
Beloit	6	9	11	10	11	13
Cardinal Stritch	6	8	11	11	9	7
Carroll	36	35	23	27	31	33
Carthage	12	16	21	15	12	13
Concordia	5	8	6	8	7	9
Edgewood	5	7	8	11	9	6
Lakeland	6	8	7	7	6	3
Lawrence	24	43	40	48	62	50
Madison Jr. College of Business	0	0	1	1	0	0
Maranantha	3	4	7	7	7	8
Marian	0	0	4	4	5	7
Marquette	116	147	146	136	134	121
Milw. Art & Design	0	1	2	1	2	1
Milw. School of Engineering	40	43	44	36	37	29
Mount Mary	4	3	0	1	1	0
Northland	1	3	4	6	4	3
Northwestern	4	7	6	0	0	0
Ripon	16	22	19	19	18	16
Silver Lake	1	1	1	0	0	0
St. Norbert	42	58	61	60	60	62
Viterbo	8	9	11	12	13	16
Wisc. Lutheran	5	5	6	8	10	11
Subtotal	347	446	449	439	444	411
TOTAL	1,582	2,099	2,238	2,363	2,455	2,496

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Fiscal Bureau entitled "Education and Income Tax Reciprocity Agreements."

2. Other UW Financial Aid. In addition to the funding for financial aid programs for minority and disadvantaged students and the institutional match for the Academic Excellence Scholarship program previously described, the UW System has budgeted $1,315,300 GPR for 1998-99 for the required institutional match for federal loan programs ($871,893), LaFollette Institute fellowships ($110,000), other UW-Madison fellowships ($146,000) and UW-Milwaukee fellowships ($187,407).

3. UW System Nonresident Tuition Remissions. Current law permits the Board of Regents to remit the nonresident portion of tuition for a number of students including: (1) graduate students with at least one-third teaching, research or project assistantships; (2) those on athletic scholarships; (3) needy and worthy students on the basis of merit, not to exceed an amount equal to full remissions for 8% of the number of nonresident students registered at that institution in the preceding year; (4) up to an additional 2% of nonresident students as in "(3)" who are deserving of relief due to extraordinary circumstances; and (5) needy and worthy foreign or non-U.S. resident students who are citizens, not to exceed 2% of a campus' FTE enrollment. Regents also remit nonresident tuition for students enrolled under the Tuition Award Programs at the Superior and Parkside campuses.

During the 1996-97 academic year, 11,050 nonresident students received remissions amounting to $38.7 million. About 51% of this amount was for graduate assistants and an additional 5.6% for graduate fellows. Athletic scholarships (9.3%), foreign students (5.7%) and the "Regents Nonresident 8%" (12.0%) were other prime recipients of remissions. An additional $3.1 million in remissions were granted during the summer session.

4. UW System Resident Tuition Remissions. A provision in 1997 Act 27 (the state budget) requires the Board of Regents to remit all or a portion of resident and nonresident tuition to graduate students who are employed as fellows or who are employed with at least a 33% appointment as UW faculty, instructional academic staff or assistants. The intent of this provision was to allow UW institutions, particularly UW-Madison and UW-Milwaukee to compete more effectively with other institutions in the recruitment and retention of these students. Institutions in other states generally provide lower salaries, but remit all tuition. Beginning with the 1997-98 Spring semester, UW-Madison and UW-Milwaukee have provided full remission of resident and nonresident tuition for teaching assistants and program/project assistants as part of the collective bargaining agreements for these groups. Research assistants also receive full remissions at Madison and remissions of up to $100 per semester at Milwaukee. Graduate assistants at the other four-year campuses in the UW System currently receive remissions of $50 per semester. At the time these remissions were provided, the salaries of these students were also reduced. For 1998-99, the first full year during which the remissions are offered, it is estimated that almost 5,200 graduate students will receive remissions valued at approximately $14.5 million. Almost 4,100 of these students (approximately 78%) are employed at UW-Madison while approximately 720 attend UW-Milwaukee and 400 are enrolled at the other four-year institutions in the UW System.

5. Tuition Remissions for Children and Spouses of Certain Protective Services Officers. Provisions in 1995 Act 228 and 1997 Act 163 require UW and WTCS institutions to grant full remission of fees, including tuition and student segregated fees, to any resident student who is enrolled in a college parallel program or a program leading to a bachelor's degree, associate degree or vocational diploma and who is the child or spouse of a correctional officer, fire fighter or law enforcement officer who was killed in the line of duty in this state. In order to be eligible to receive the

remission, a child must have been under the age of 21 or not yet born when his or her parent was killed. Act 228 provided $15,000 GPR annually to each of the Board of Regents and the WTCS Board to cover the cost of the remissions. In 1996-97, the first year the remissions were required, UW institutions remitted tuition and fees totaling $11,702 for six students while technical colleges remitted $6,360 to four students. In 1997-98, remissions totalled $23,460 for ten UW students and $16,184 for three WTCS students. Because the GPR funds were not sufficient to cover the total amount of the remissions, UW and WTCS institutions were required to absorb the excess costs.

6. College Work-Study (Federal). This program is a campus-based program that provides part-time jobs for undergraduate and graduate students. Students may be employed by the institution, public or non-profit employers, and must be paid the federal minimum wage. In most cases, the employer provides 25% of the student's salary. The award amount is based on financial need, availability of funds and the amount of aid the student receives from other programs. Earnings from work-study jobs are not included in the student's income when reapplying for financial aid in subsequent years. In 1996-97, a total of $13.0 million was provided to 12,716 students, averaging $1,022.

7. EdVest Wisconsin - Tuition Prepayment Program (Department of Administration). This program was established in 1995 Act 403 to encourage parents and other relatives to save money for a child's future postsecondary education expenses. Under the program, a parent, grandparent, aunt, uncle or legal guardian, upon payment of a one-time $50 enrollment fee, may open an "account" in a child's name and purchase up to four years of "tuition units" to be used by the child when he or she attends college. An account may also be opened by a trust on behalf of the beneficiary of the trust or an individual may purchase tuition units for him- or herself. The Department of Administration (DOA) began offering tuition units for sale in July of 1997. As of January, 1999, a total of 900 accounts had been opened and approximately $2.9 million in tuition units had been purchased. The price of a tuition unit is determined jointly by DOA and the Board of Regents and varies depending on the year in which it is expected to be used. Current law requires that, to the extent possible, the price must be set so that the value of a tuition unit in the anticipated academic year of the student's enrollment will be equal to 1% of the weighted average annual tuition at UW campuses for that year plus the cost of administering the program. Revenues from the sale of tuition units are pooled in a tuition trust fund managed by the State Investment Board. Increases in the value of the tuition units in an individual's account are exempt from state income tax. Federal income taxes on the earnings of the account are the responsibility of the student but are deferred until he or she redeems the tuition units.

When the child enrolls in college, the redemption value of each tuition unit in his or her account will be 1% of the average annual tuition at UW campuses, as estimated by DOA at the time the unit was purchased. If DOA's estimate is lower than actual tuition at the time of enrollment, the student will be required to pay the difference between the estimated and actual amounts. While the price and value of a tuition unit is based on UW tuition, the units may be used to pay for tuition at any public or private higher education institution in the U.S.. Participation in the EdVest program does not, however, guarantee a student's admission to a postsecondary institution. If a student does not use all of their tuition units, the purchaser can receive a full or partial refund, depending on the reason for the student's failure to use the units.

8. Wisconsin Educational Opportunity Programs (Public Instruction). The Department of Public Instruction administers five statewide programs and one federal program whose primary goal is to assist minority and economically disadvantaged middle school and high school students in pursuing postsecondary educational

opportunities. Currently, students in all school districts are counseled through seven district offices located in Ashland, Eau Claire, Green Bay, Madison, Racine, Wausau and Milwaukee. (An eighth office, in Milwaukee, was closed in 1995.) A staff of 16.0 employes advise, counsel, place and recruit students that participate in the five programs. In 1997-98, $842,330 GPR was expended to operate the district offices. One of the five programs, the Talent Incentive Program, was discussed earlier in this paper. The other four programs are:

Talent Search Program. Counselors assist high school students and adults in defining educational goals, applying and enrolling in postsecondary institutions and obtaining financial aid. WEOP staff members also work with institutions, schools, community organizations and churches by giving presentations and acting as a resource for materials and information.

Early Identification Program. WEOP annually identifies and recruits economically disadvantaged eighth-grade students to participate in this program which provides early intervention services to students in order to reduce attrition at the secondary and postsecondary levels. Program staff work with eighth- through twelfth-grade students, their parents and schools to address the problem of low matriculation through long-term counseling and career goal assessment. In 1997-98, approximately 100 eighth graders were selected to participate. Students remain in the program throughout high school and into college. Of the 1,015 students in the program in 1997-98, 167 were seniors. Of these seniors, 155 (93%) graduated and 137 (82%) enrolled at postsecondary institutions. Many of these students were selected to receive TIP grants.

Minority Precollege Scholarship Program. This program, first implemented in 1983-84, provides grants to minority middle school and high school students to cover full student costs of precollege programs, including courses, books, supplies and room and board, if necessary. Precollege programs which emphasize academic skills development, career guidance, curriculum enrichment and financial aid information are offered to eligible students through UW campuses, Technical Colleges and private colleges. The student must first be admitted to a precollege program to qualify for a scholarship. In 1997-98, approximately 3,000 middle and high school students received a total of $900,000 to fund their participation in precollege programs statewide. These students participate in programs administered by UW campuses, technical colleges and private colleges. All 426 school districts are eligible to participate in the program. The Department of Public Instruction, which is required, by rule, to provide follow-up studies of participants in the program, indicates that 92% of the minority students who participate in the program graduate from high school. More than 65% of program participants enroll in postsecondary education.

National Early Intervention Scholarship Program. Since 1995-96, WEOP has administered this federal program which was recently renamed "Gear Up". In 1997-98, $140,000 in college scholarships was awarded to 144 to low-income students under the program. An additional, $255,700 was distributed to six WEOP district offices to support activities such as college visitations and parental involvement programs.

Tax Incentives

1. Higher Education Tax Deduction (State). A provision in 1997 Act 237 (the budget adjustment act) created a tax deduction for tuition expenses incurred by a taxpayer or a taxpayer's dependent. Beginning with the 1998 tax year, a taxpayer may deduct allowable expenses up to $3,000 per student, per year. Allowable expenses include tuition paid to any university, college, technical college, or a school approved by the Educational Approval Board that is located in Wisconsin. The deduction also applies to tuition paid by a Wisconsin resident to attend a public vocational school or public college or university in Minnesota under the Minnesota-Wisconsin reciprocity

program. The maximum amount of the deduction phases out as income increases and is eliminated when income exceeds $60,000 for single taxpayers, and $100,000 for married taxpayers filing joint returns.

2. ***HOPE Scholarship Tax Credit (Federal).*** Beginning in tax year 1998, degree-seeking students who are enrolled at least half-time and are in one of the first two years of college are eligible for a tax credit of up to 100% of the first $1,000 and 50% of the second $1,000 in tuition expenses. Eligible expenses include tuition and required fees less any grants, scholarships or other tax-free financial assistance. The credit is gradually phased out for taxpayers with taxable incomes between $40,000 and $50,000 (for single filers) and between $80,000 and $100,000 (for joint filers). The maximum credit amounts as well as the income limits will be indexed for inflation after 2001.

3. **Lifetime Learning Tax Credit (Federal).** Beginning in tax year 1998, students beyond the first two years of college or those enrolled for less than half-time are eligible for a 20% tax credit on the first $5,000 of tuition expenses paid each year through 2002, and for the first $10,000 in expenses for each year thereafter. Eligible expenses include tuition and required fees less any grants, scholarships or other tax-free financial assistance. The credit is gradually phased out for taxpayers with taxable incomes between $40,000 and $50,000 for single filers, and between $80,000 and $100,000 for joint filers.

4. **Education IRA (Federal).** Beginning in tax year 1998, any individual (including the beneficiary) may deposit up to $500 annually in an education individual retirement account (IRA) for a beneficiary under age 18. While contributions are not deductible from income, interest earnings are tax exempt and withdrawals are excluded from the beneficiary's income if used for eligible higher education expenses. No contributions may be made to an education IRA during a tax year in which a contribution of any amount is made to a state tuition prepayment program (such as EdVest, which was discussed in the previous section). A student who receives tax-free distributions from an Education IRA may not receive the HOPE Scholarship credit or Lifetime Learning credit in the same year. The ability of an individual to make a contribution to an Education IRA is gradually phased out for contributors with taxable income between $95,000 and $110,000 for single filers and $150,000 and $160,000 for joint filers.

4. **IRA Withdrawals (Federal).** Early (before age 59 ½) withdrawals from a traditional IRA are not subject to the 10% tax penalty provided the distributions are used for postsecondary education expenses of the taxpayer, spouse, child or grandchild.

5. **Student Loan Interest Deduction (Federal).** In tax year 1998, an individual may deduct up to $1,000 for interest paid on student loans during the first 60 months in which interest payments are required. The maximum deduction will increase to $1,500 in 1999, $2,000 in 2000 and $2,500 in 2001 and thereafter. The deduction is phased out for single filers with taxable income between $40,000 and $55,000 and for joint filers with taxable income between $60,000 and $75,000.

6. **Employer-Provided Education Benefits (Federal).** Taxpayers may exclude from their taxable income up to $5,250 in educational assistance benefits received from their employer. Eligible benefits include payments for tuition, fees, books, supplies and equipment. In order to be eligible, courses must begin prior to June 1, 2000, have a reasonable relationship to the business of the employer and be required as part of a degree program.

Financial Aid Package

After a student applies for financial aid, the college attempts to meet as much of a student's need as possible by the offer of a financial aid

package. Institutional financial aid officers are responsible for packaging a student's financial aid based on the needs analysis. Packaging is the selection of various types and amounts of aid which enable a student to pay for educational costs. Some elements of a financial aid package are automatically included such as Pell Grants, which are determined at the time the parental contribution is determined by the federal processor, and WHEG and Tuition Grants which have been calculated by HEAB. On the other hand, programs such as Supplemental Educational Opportunity Grants, College Work Study, Perkins Loans and institutional grants are controlled and distributed by an institution's financial aid office. However, the amount of these awards is dependent upon the amount of Pell Grant, WHEG or TG awarded. Federal law allows greater latitude to aid officers in making changes to student contribution levels which may affect award amounts.

The financial aid package represents an attempt to rationalize and simplify the distribution of monies to students. The package is also developed in a hierarchy. For example, grants and scholarships are more desirable than loans and are, therefore, applied first to reduce a student's need. One exception to this rule is state grant programs for minority/disadvantaged students. These are added last to the financial aid package, replacing federal loan aid with state grant aid. For 1996-97, grant funds accounted for 43.5% of financial aid, with loans at 52.5% and work-study at 4.1%. This ratio varies by the type of institution attended: grants account for 53.1% of the aid at independent colleges (where costs, and consequently need is the highest), 47.4% at technical colleges and 34.1% at UW campuses.

This package is not the final step in the aid process, however, since the financial aid office does not control the distribution of guaranteed student loans from private lenders, although they do calculate a maximum loan. Finally, a student is under no obligation to accept the entire package. For example, a student could accept the grant and work-study aid but refuse the loans. Students must be registered for classes before aid can be issued to them at the beginning of a semester. They are also required to pay their tuition and fees with the proceeds of the aid before the remaining aid is given to them.

Table 10 compares the average cost, need and need-based aid over the most recent seven-year period for which information is available, by type of institution. While the average cost of attending a UW institution is only 9.6% greater than the cost of attending a Technical College, on average, the UW student receives approximately 42% more aid, despite having a higher family contribution level. The unmet need of a technical college student is almost two times that of a student attending an independent college or UW institution.

Interstate Comparisons

Table 11 shows the relative importance of need-based and total financial aid in state higher education budgets for 1996-97. Wisconsin is lower than the national averages in need-based grants per full-time undergraduate student ($297), total aid ($316), and aid as a percentage of state general funds for higher education (5.9%). Wisconsin's ranking has been relatively stable over the past few years. It is interesting to note that some states (Alabama, Alaska, Florida, Georgia and North Carolina) provide more money in nonneed-based programs than for students with need and 17 states provide only need-based aid. Compared to other states, Wisconsin tends to distribute smaller grants to a larger number of students.

Table 10: **Financial Aid Data by Institution Type: Resident Undergraduates**

	No. of Recipients	Avg. Cost	Avg. Contribution	Avg. Need	Avg. Aid	Unmet Need
UW System						
1990-91	43,781	$6,546	$2,354	$4,192	$3,503	16.4%
1991-92	45,533	6,869	2,473	4,396	3,679	16.3
1992-93	49,254	7,220	3,060	4,160	3,613	13.1
1993-94	51,650	7,460	2,576	4,884	3,980	18.5
1994-95	52,841	7,787	3,113	4,674	3,904	16.5
1995-96	45,355	8,214	2,369	5,846	4,876	16.6
1996-97	44,900	8,430	2,596	5,835	4,589	21.4
Technical Colleges						
1990-91	27,629	$6,549	$1,906	$4,643	$2,564	44.8%
1991-92	29,318	7,047	2,052	4,995	2,633	47.3
1992-93	29,872	7,189	2,267	4,992	2,709	45.0
1993-94	28,632	7,735	1,831	5,904	3,057	48.2
1994-95	29,172	7,011	1,830	5,182	3,024	41.6
1995-96	28,115	8,204	2,308	5,895	3,030	48.6
1996-97	28,779	7,689	2,217	5,473	3,226	41.1
Private Colleges						
1990-91	15,187	$12,415	$4,237	$8,178	$6,506	20.4%
1991-92	16,004	13,186	4,565	8,621	7,298	15.3
1992-93	17,081	13,571	4,179	9,392	7,519	19.9
1993-94	17,603	14,296	3,799	10,497	8,617	17.9
1994-95	18,393	15,595	4,078	11,517	8,690	24.5
1995-96	18,327	15,946	4,788	11,158	8,966	19.6
1996-97	18,080	16,557	5,067	11,490	9,025	21.5

Table 11: **1996-97 State Grant Dollars to Undergraduate Students by State**

	Grants Per Full-Time Student		% of Students	Aid as % of State Higher
	Need-Based Aid	Total Aid	Receiving Aid	Ed. Funds
New York	$1,086	$1,093	47.1%	22.8%
New Jersey	963	1,017	48.1	11.9
Illinois	869	952	37.1	14.1
Pennsylvania	700	703	39.3	14.6
Minnesota	642	642	18.5	8.5
Vermont	528	529	50.5	20.9
Indiana	458	466	25.9	7.7
Iowa	389	393	19.7	6.0
Washington	366	375	20.6	5.5
Michigan	354	354	21.7	5.2
California	349	349	13.2	4.4
Virginia	334	463	25.3	8.7
Maryland	319	371	26.9	5.0
New Mexico	316	432	35.3	4.1
Wisconsin	**297**	**316**	**32.0**	**5.9**
Connecticut	294	294	26.6	3.8
Ohio	291	432	44.5	7.3
Kentucky	272	272	23.3	4.1
Massachusetts	271	272	24.3	7.0
Colorado	239	333	34.8	6.7
Maine	229	229	35.7	3.9
South Carolina	217	217	9.4	3.0
Oregon	208	208	23.9	3.4
Arkansas	199	217	22.8	2.8
West Virginia	191	191	14.1	3.1
Nevada	161	188	17.8	2.1
Oklahoma	150	228	17.1	3.9
Rhode Island	133	133	18.7	4.2
Tennessee	132	137	15.7	2.1
Florida	124	401	28.9	5.4
Kansas	116	117	10.4	1.9
Missouri	95	186	12.1	3.4
Texas	94	94	6.1	1.5
North Carolina	80	213	18.0	2.7
North Dakota	72	80	13.2	1.6
Louisiana	56	131	8.5	2.6
Nebraska	54	54	11.7	0.8
Delaware	42	52	4.7	1.0
Arizona	25	25	3.0	0.4
Utah	24	24	4.1	0.7
Alaska	19	19	1.4	1.0
Idaho	19	26	4.3	0.4
New Hampshire	19	19	3.8	0.8
Alabama	14	58	8.5	0.8
South Dakota	14	14	4.6	0.3
Georgia	12	1,027	76.6	14.3
Hawaii	12	12	1.6	0.1
Montana	10	10	2.2	0.3
Wyoming	10	10	1.1	0.1
Mississippi	6	7	0.9	0.1
AVERAGE	$366	$422	24.7%	6.6%

Source: National Association of State Student Grant and Aid Programs 28th Annual Survey Report